

The Medicaid forecast for the aged, blind, and people with disabilities includes programs for the categorically needy who are people with income meeting a very low income threshold. These people are eligible for a full range of benefits.

The Medically Needy programs are for low income people who don't meet the income threshold of the categorically needy programs. MN clients with income above MN limits are required to spend-down excess income on qualifying medical expenses before medical coverage begins.

There is also a program that covers some employed individuals with disabilities and a wrap around program to help with some of the costs experienced by Medicare beneficiaries.

Forecast Comparisons (Fiscal Year Averages)

Fiscal Year	Feb-06 Forecast	Jun-06 Forecast	Feb to Jun Difference	Percent Difference
2006	215,678	214,484	-1,194	-0.6%
2007	222,443	219,857	-2,586	-1.2%
2008		225,693		
2009		231,011		

The combined forecast for these programs was lowered between the February and June forecasts. This downward shift was principally caused by a 21.3 percent decline in the Medically Needy Aged forecast for fiscal year 2007 and a 32.2 percent decline for the Medically Needy Blind and People with Disabilities forecast. These declines were due to a very difficult to estimate impact from the implementation of Medicare Part D. These declines were partially offset by an increase in the Qualified Medicare Beneficiary program which provides support for qualifying low income Medicare Beneficiaries.

Tracking the February 2006 Forecast

	Feb-06 Forecast	Actual	Variance	Percent Variance
Oct-05	214,305	214,275	-29	0.0%
Nov-05	214,982	214,598	-384	-0.2%
Dec-05	215,331	214,263	-1,068	-0.5%
Jan-06	216,137	214,537	-1,600	-0.7%
Feb-06	216,705	214,279	-2,427	-1.1%

Although actual caseloads were tracking slightly below forecast in October and November 2005, the large impact of Medicare Part D wasn't seen until January and February 2006.

The negative variance in December 2005 was caused by the Categorically Needy and Medically Needy caseloads for the blind and people with disabilities being below forecast. The lower caseload numbers were principally due to lower entries into these programs.

Fiscal Year Caseload Change

Fiscal Year	Caseload Change	Percent Change		Caseload
2003-2004	7,729	4.0%	<i>Actual</i>	202,177
2004-2005	7,032	3.5%		209,209
2005-2006	5,275	2.5%	<i>Forecast</i>	214,484
2006-2007	5,372	2.5%		219,857
2007-2008	5,836	2.7%		225,693
2008-2009	5,319	2.4%		231,011

Caseload growth for the combined program is expected to slow from growth rates seen in 2004 and 2005. By fiscal year 2009 the expected growth rate will be consistent with population growth. Although these programs serve people of all ages, they disproportionately serve the aged. The growth rate for the aged is expected to be over twice as high as for younger Washingtonians by fiscal year 2009.

Expected Population Growth

Fiscal Year	Population age 0 - 64	Population 65 plus
2004	1.0%	1.4%
2005	1.2%	1.8%
2006	1.6%	2.1%
2007	1.8%	2.1%
2008	1.6%	2.8%
2009	1.5%	3.3%

Risk Assessment:

The risk to the combined forecast is moderate to high. This risk is not evenly spread across the programs that comprise this forecast. Certain programs with relatively large enrollments have experienced fairly steady growth over time, these include both the Categorically Needy Aged and the Categorically Needy program for the Blind and People with Disabilities. These forecasts have low risk.

Other programs are going through significant adjustments to Medicare Part D, these include both the Medically Needy Aged and the Medically Needy program for the Blind and People with Disabilities, as well as, the program for Qualified Medicare Beneficiaries. Forecasts for these programs have much higher risk.

Medically Needy Aged and Medically Needy Blind and People with Disabilities:

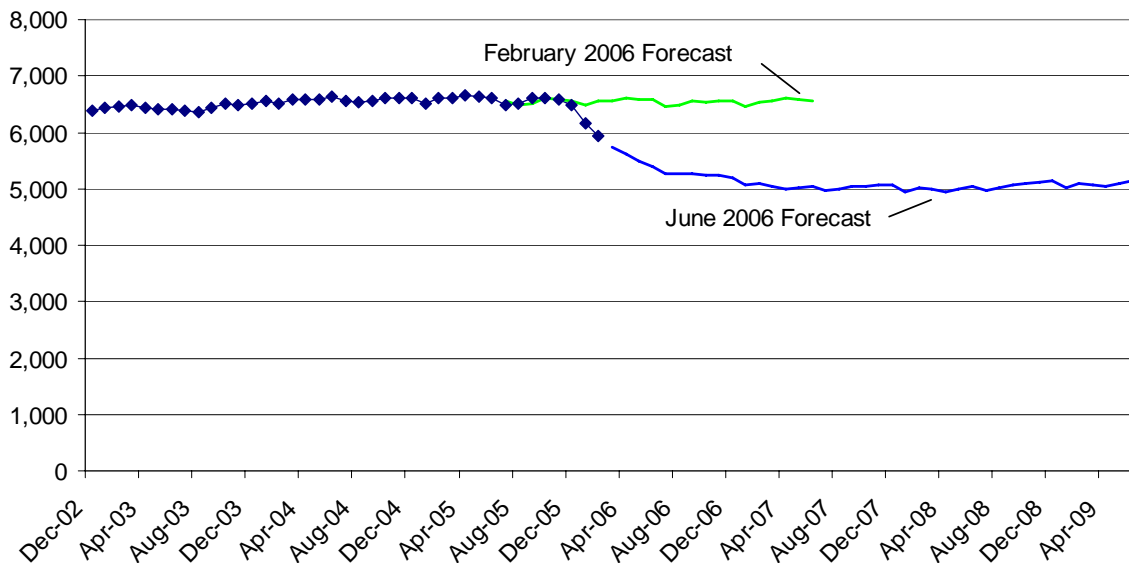
The Medically Needy programs have been significantly impacted by the implementation of Medicare Part D. Beneficiaries qualify for these programs though their spending on approved medical expenses. Prior to the implementation of Medicare Part D, many of these beneficiaries qualified for

the Medically Needy programs through their pharmaceutical expenses. Now that these expenses are covered through Medicare Part D, the clients no longer can qualify for the Medically Needy programs.

Most of the Medically Needy clients either have a three month or a six month period in which to meet their medical expense target (their spenddown) and, thus, qualify for benefits. We expect that the implementation effect of Medicare Part D will last six months after the start of the program, through June 2006. At that point the entry rates into the programs are expected to level off.

In the future, the nature of the Medically Needy caseloads will have changed. Those who have non-pharmaceutical medical expenses tend to have more acute and less chronic medical problems. There is, thus, likely to be more churning on and off the caseload in the future. In the long-run these program would be expected to grow at the rate of growth of the populations from which they draw.

Medically Needy Aged June 2006 Forecast

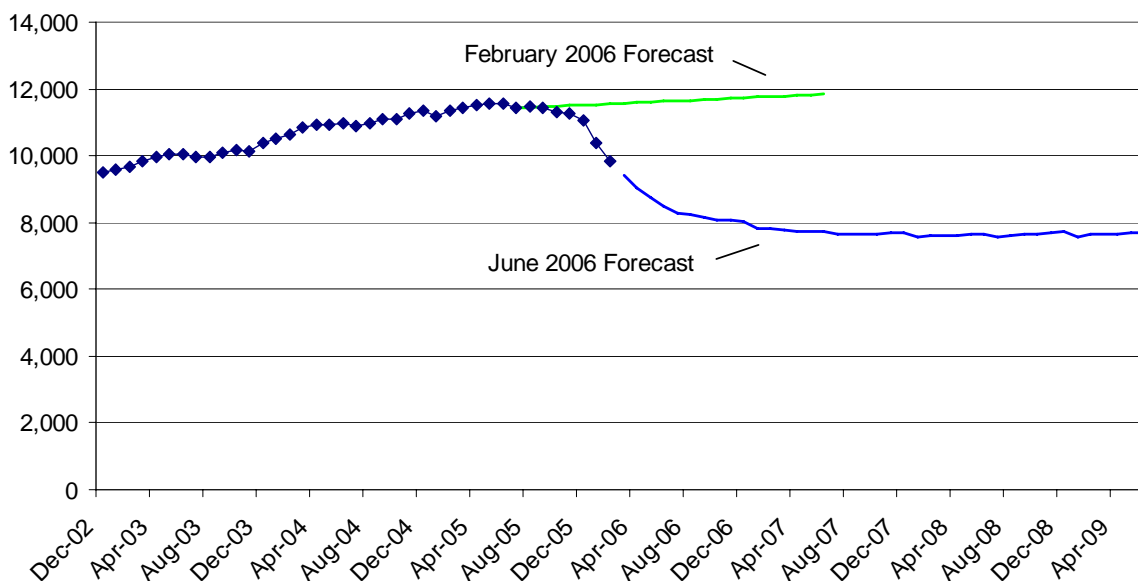


Forecast Comparison (Fiscal Year Averages)

Fiscal Year	Feb-06 Forecast	Jun-06 Forecast	Feb to Jun Difference	Percent Difference
2006	6,562	6,134	-428	-6.5%
2007	6,537	5,144	-1,394	-21.3%
2008		5,008		
2009		5,077		

The Medically Needy Aged forecast was lowered by 21 percent in fiscal year 2007. The caseload is expected to decline through fiscal year 2008, before it resumes growth.

Medically Needy Blind and People with Disabilities June 2006 Forecast



Forecast Comparison (Fiscal Year Averages)

Fiscal Year	Feb-06 Forecast	Jun-06 Forecast	Feb to Jun Difference	Percent Difference
2006	11,530	10,326	-1,204	-10.4%
2007	11,744	7,958	-3,786	-32.2%
2008		7,640		
2009		7,656		

The Medically Needy program for the blind and for people with disabilities began to decline in the summer of 2005, although the pace of decline increased significantly in January 2006 with the implementation of Medicare Part D.

The early part of this decline was led by a decline in entries into the program which began in the late spring of 2005. This decline accelerated in the first months of 2006 and was augmented with a sharp jump in exits at that time.

Although to a much smaller extent, the *Categorically Needy* Program for the blind and people with disabilities also experienced a slowing in growth in the later half of 2005. The slowing of growth in the Categorically Needy program was also led by a decline in entries.

Risk Analysis for both the Medically Needy Programs:

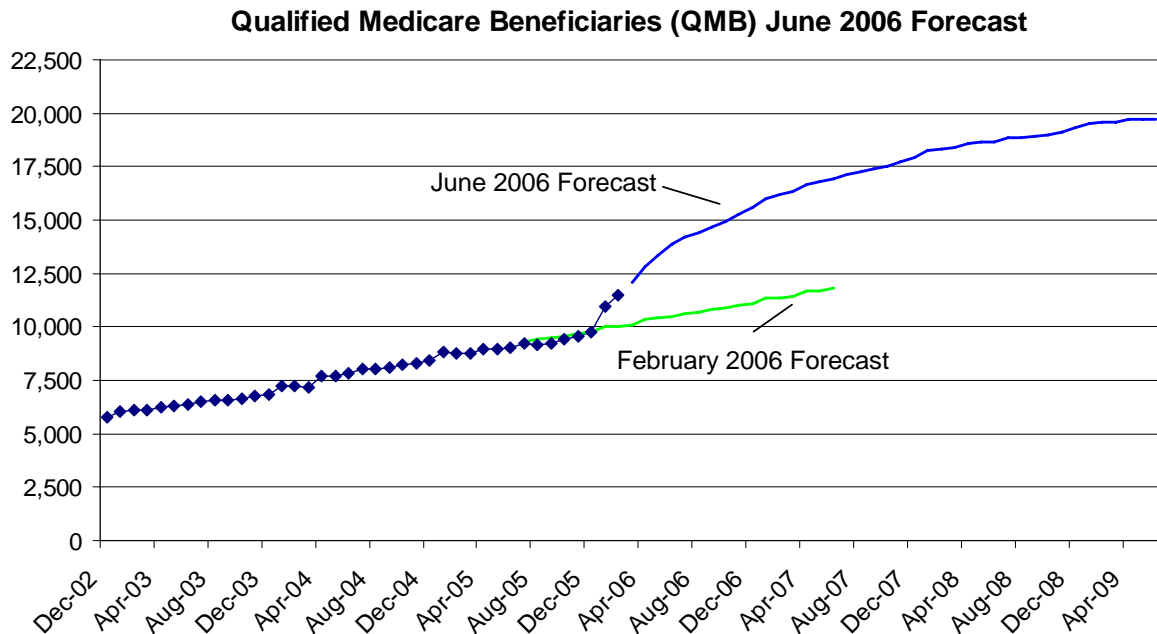
The risk to the Medically Needy forecasts is high. The implementation of the Medicare Part D program has a substantial impact on these programs. Estimating the extent of this impact has been difficult because of the complexity of the way in which Part D may influence the ability of potential Medically Needy beneficiaries to meet their spend-down requirement for the Medically Needy programs.

The Medical Assistance Administration at DSHS has determined that the potential impact is likely to be between 20 and 50 percent of the initial caseload. Part D is expected to lower entries into the Medically Needy program through June 2006.

Qualified Medicare Beneficiary:

Beneficiaries for this program must be entitled to, or enrolled in, Medicare Part A. Income limits are based on 100 percent of the Federal Poverty Level (FPL). Under QMB, Medicaid covers premiums for Medicare Parts A and B, Part B deductibles and co-pays, and Part C premiums.

A Medicare beneficiary eligible for a Medically Needy program would be automatically enrolled in QMB. The caseload counts from QMB, however, do not recognize clients as long as they remain enrolled in a Medically Needy program.



The QMB program jumped up in January with the implementation of Medicare Part D as clients dropped from the Medically Needy programs and automatically showed up on this program.

Forecast Comparison (Fiscal Year Averages)

Fiscal Year	Feb-06 Forecast	Jun-06 Forecast	Feb to Jun Difference	Percent Difference
2006	9,885	10,906	1,021	10.3%
2007	11,203	15,663	4,459	39.8%
2008		17,987		
2009		19,326		

The 4,459 expected caseload increase in QMB offsets all but 720 of the combined decline of the Medically Needy Aged and Blind and People with Disabilities forecast.

Risk Analysis:

The risk to the QMB forecast is high. The forecast assumes that entry rates will eventually lie between the pre Medicare Part D level and the level they reached just as Medicare Part D implementation began.

An important determinant of future entries into QMB will be outreach to Part D beneficiaries. There are currently many people who are eligible but who do not apply for the QMB program.

In general, the uncertainty surrounding the implementation of Medicare Part D, translates into high risk for the QMB forecast. This risk will lower substantially as the implementation progresses through its first year. Each QMB beneficiary is relatively inexpensive for the state.